

DUNDEE CITY COUNCIL

REPORT TO: Personnel Committee - 13 December 2004

REPORT ON: Implementation of Inland Revenue Authorised Mileage Rates

REPORT BY: Depute Chief Executive (Finance) and Assistant Chief Executive (Management)

REPORT NO : 796-2004

1. PURPOSE OF REPORT

- 1.1 To advise elected members of the financial and other implications of implementing the Inland Revenue Authorised Mileage Rates, in respect of the Casual User Car Allowance Scheme within Dundee City Council.

2. RECOMMENDATIONS

2.1 It is recommended that:-

- i) the mileage rates payable under the Council's Casual User Car Allowance Scheme be revised to the Inland Revenue Authorised Mileage Rates, with effect from 1 April 2005;
- ii) the option to pay an additional 5p per mile for each passenger carried be adopted in order to promote efficient business travel practices and reduce the overall amount of mileage incurred;
- iii) the Inland Revenue Rates in force on 1 April each year be applied for the whole of the financial year and the Depute Chief Executive (Finance) be authorised to implement any adjustments to these rates from the following 1 April;
- iv) all Council employees and the Trade Unions are given written notice of the effective date of the above changes to car mileage rates.

3. FINANCIAL IMPLICATIONS

- 3.1 Based on data relating to the 2003/04 financial year, a net annual saving of around £101,000 will accrue to the Council from the implementation of the Inland Revenue Authorised Mileage Rates.

4. LOCAL AGENDA 21 IMPLICATIONS

- 4.1 The proposals contained in this report will promote efficient business travel practices and reduce the overall amount of mileage incurred.

5. EQUAL OPPORTUNITIES IMPLICATIONS

5.1 None.

6. BACKGROUND

6.1 The Council currently operates three separate Car Allowance schemes for its employees : Leased Car, Essential User and Casual User. This report deals with the allowances that are payable under the Casual User Scheme. The current Casual User mileage rates are as follows :

<u>Within Dundee City Council Boundary</u>		<u>Outwith Dundee City Council Boundary</u>	
First 1,000 miles	53.7p per mile	Public Transport available	12.6p per mile
Next 7,500 miles	43.7p per mile	Public Transport not available	35.1p per mile
After 8,500 miles	12.6p per mile		

The Single Status agreement removed the previous national rates for car mileage and local authorities must fix their own rates to recompense employees who use their car for Council business. The above rates were the inherited national rates and these rates have not been revised since 1 April 1999.

6.2 During the 2003/04 financial year, allowances totalling £699,808 were paid to employees under the Casual User Scheme. The total number of miles travelled was 1,528,191, i.e. an average allowance of 45.8p per mile. A total of 1,657 employees participated in the Scheme during 2003/04, with allowances payable to individuals ranging up to £2,750 and an average allowance of £422. A total of 561 employees incurred in excess of 1,000 miles, with the average being 922 miles.

6.3 For the purposes of determining Income Tax and National Insurance Contribution liabilities, the Inland Revenue has published approved mileage rates (the Inland Revenue Approved Mileage rates or IRAM Rates). These represent the statutory maximum amounts which can be paid to employees for using their own car for business purposes without incurring any Income Tax or NIC liability. The current IRAM rates are as follows :

First 10,000 miles	40p per mile
After 10,000 miles	25p per mile

The Inland Revenue also publishes fuel-only mileage rates for company cars and these rates were recently adopted for the Council's Leased Car Scheme (see Personnel Committee 16 February 2004).

6.4 It can be seen from the figures quoted above that the mileage rates currently payable under the City Council's Casual User Scheme are higher than the IRAM rates. This, in itself, leads to additional NICs being payable by both the Council and the employee and also an additional Income Tax liability for the employee. These factors will tend to partly offset the apparent generosity of the scheme for the employee.

- 6.5 As noted in para 6.1 above, the car mileage rates have not been increased since 1 April 1999. To ensure that, in future, the car mileage rates rise in line with costs, it is recommended that they be linked to the IRAM rates, with effect from 1 April 2005. It is also recommended that the Depute Chief Executive (Finance) be authorised to revise the rates in line with future announcements from the Inland Revenue. To minimise administration costs, it is proposed that the rate in force on 1 April should be applied for the whole of the financial year. Based on data relating to the 2003/04 financial year, it is estimated that a net annual saving of around £101,000 will accrue to the Council.
- 6.6 The implementation of the IRAM rates will, of course, result in "winners" and "losers" in terms of the allowances payable to individual employees. The exact implications for any single employee will depend on a number of factors : the total amount of mileage incurred, the amount of travel outwith the City boundary etc etc. Based on 2003/04 re-modelled data, it is estimated that 84% of employees would receive reduced allowances based on the IRAM rates, with the maximum annual reduction being around £300. Any reductions will, however, be partly offset for the individual by a reduction in NIC and Income Tax liability.
- 6.7 The Inland Revenue scheme also includes the option to pay an additional 5p per mile for each passenger carried on business travel. It is recommended that this payment should be adopted by the Council in order to promote efficient business travel practices and reduce the overall amount of mileage incurred.

7 CONSULTATION

- 7.1 The Chief Executive and Depute Chief Executive (Support Services) have been consulted on this report, as have the trade unions.

8 BACKGROUND PAPERS

- 8.1 None.

D.K. Dorward
Depute Chief Executive (Finance)

7 December 2004

J.C. Petrie
Assistant Chief Executive (Management)

7 December 2004